

EXHIBIT 45

Memorandum

To: Steven Parness *sur*
From: Jeffrey Wachtler
Date: 12/9/2008
Re: Federal Mogul Settlement Authority Request

I am writing to request settlement authority for an agreement to resolve all known and future asbestos liabilities under policies of insurance issued from 1968 through 1982 to various entities under which Federal Mogul is entitled to coverage.

BACKGROUND

Federal Mogul owned several entities which manufacture industrial and automotive asbestos-containing brakes. Asbestos-related bodily injury claims were first filed against it in 1979. Through 2001, when Federal Mogul went into bankruptcy, roughly 51,000 claims had been filed nationwide. In 2007, shortly before it was to emerge from bankruptcy, Federal Mogul filed a declaratory judgment ("DJ") action against all of its insurers in Morris County, New Jersey. This DJ is currently in the discovery phase. Federal Mogul's consultant has estimated that Federal Mogul's future liabilities will range from \$523.9 million to \$1.8 billion.

COVERAGE

AIG Member Companies issued forty-one excess liability policies to Federal Mogul related entities, with aggregate available limits totaling approximately \$151 million. Of this amount, the following companies issued these respective limits: AIU: \$42.1M; American Home: \$14.4M; AIG Casualty/Birmingham: \$5.4M; Granite State: \$49.75M; ICSOP: \$250K; Lexington: \$8.4M; and National Union: \$30.8M. National Union issued a primary policy which has been exhausted. The lowest attachment point of available coverage is excess of \$20 Million.

KEY COVERAGE CONCERNS

The key issue is choice of law. The Court must choose between New Jersey, New York and Illinois law.

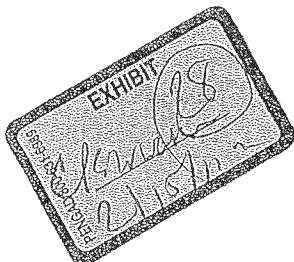
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Under Carter-Wallace, as opposed to a pro-rata allocation followed in New York and Illinois, the total amount of limits, and not simply time on the risk, is factored into the allocation, which is detrimental to excess carriers, such as AIG. By settling at this time, AIG will avoid substantial additional exposure an adverse verdict would bring.

PROPOSED SETTLEMENT

Subject to bankruptcy court approval, AIG will pay Federal Mogul a total of \$40 million from 2009 through 2011 for asbestos losses. The initial payment in the amount of \$10.5 million will be made 15 days after the entry

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Granite Site 009227

December 9, 2008

of the bankruptcy court order approving the settlement. Subsequently, AIG will make two more \$10.5 million payments and a final payment of \$8.5 million.

Following the initial \$40 million payment, there will be a period of time during which AIG will make no payments. Beginning in 2014, AIG may pay up to \$32 million on a coverage-in-place basis, subject to payment caps, should Federal Mogul meet certain asbestos claim benchmarks. The benchmarks are as follows:

<u>Federal Mogul Asb. Liabilities</u>	<u>AIG's Capped Payment</u>
\$800 Million	\$8 Million
From \$800 to \$850 Million	\$8 Million
From \$850 to \$900 Million	\$8 Million
From \$900 to \$950 Million	\$8 Million

The maximum capped payments for future claims are \$32 Million, and combined with the initial payments of \$40 Million, the total payment under the agreement is capped at \$72 million. All billings are subject to audit and verification. In return, Federal Mogul will release AIG from all products claims, and the Federal Mogul trust will release AIG from all asbestos claims, including all non-product claims.

ADVANTAGES OF THE PROPOSED SETTLEMENT

The following benefits will be achieved under the recommended settlement:

1. Of the \$151 Million in limits AIG Member Companies issued to Federal Mogul, under the agreement AIG will pay no more than \$72 Million, subject to certain benchmarks and payment caps.
2. By making payments over a series of years, subject to payment caps, AIG receives the benefit of a cost savings in terms of the net present value of its ultimate liabilities.
3. Potential non-products exposure would be eliminated. Such exposures, if not resolved, would not be subject to aggregate limits.
4. AIG will be released from all future asbestos and products claims by any third-party against the subject policies.
5. AIG will receive 524(g) bankruptcy protection.